
TRI-COUNTY HEALTH DEPARTMENT

FINANCIAL STATEMENTS

DECEMBER 31, 2014

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Independent Auditors' Report

Board of Health
Tri-County Health Department
Greenwood Village, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Tri-County Health Department (the Department), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Tri-County Health Department as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through ix and 23, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2015 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

RubinBrown LLP

May 20, 2015



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

This brief report is for the Tri-County Health Department (the "Department") for the year ended December 31, 2014. Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the Department during 2014. The MD&A should be read in conjunction with the Department's basic financial statements.

Background Information

The Tri-County Health Department was established, in accordance with C.R.S. 25-1-506, to provide local public health services to the 1,396,000 residents of Adams, Arapahoe, and Douglas Counties. The Department's mission is to protect, promote, and improve the health, environment and quality of life of the residents of Adams, Arapahoe and Douglas Counties. The Department provides all core public health services identified in the Colorado State Board of Health, Core Public Health Services Rule, these include: Assessment, Planning and Communication; Vital Records and Statistics; Communicable Disease Prevention, Investigation and Control; Prevention and Population Health Promotion; Emergency Preparedness and Response; Environmental Health; Administration and Governance.

Financial Highlights

- The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by \$19,917,791. Of this amount, \$18,626,521 represents unrestricted net position, which may be used to meet the Department's ongoing obligations to citizens and creditors.
- The Department's total net position increased by \$404,939 during fiscal year 2014.
- At the close of the current fiscal year, the Department's governmental fund reported a fund balance of \$19,786,358, an increase of \$285,891 in comparison with the prior year. Approximately 28% of this amount, \$5,612,146, is available for spending at the Department's discretion.
- At the end of the current fiscal year, unrestricted net position was \$18,626,521, or approximately 55% of total expenses.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Tri-County Health Department's basic financial statements. The Tri-County Health Department's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Department's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Department's assets and liabilities. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the past year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to control resources for specific activities. The Department, like other state and local governments, uses fund accounting. The Department has only one fund, the general fund.

Government Funds

Government funds are essentially the same as governmental activities reported in the government-wide financial statements. Unlike the government-wide financial statements, government fund financial statements focus on near-term transactions of expendable resources and the balances of spendable resources available at the end of the fiscal year.

Financial Efforts of 2014

The Department's financial activities center on providing the citizens of the area a wide variety of public health activities including restaurant inspections, immunizations, nutritional education, disease outbreak identification and management, tobacco prevention and control, and emergency preparedness.

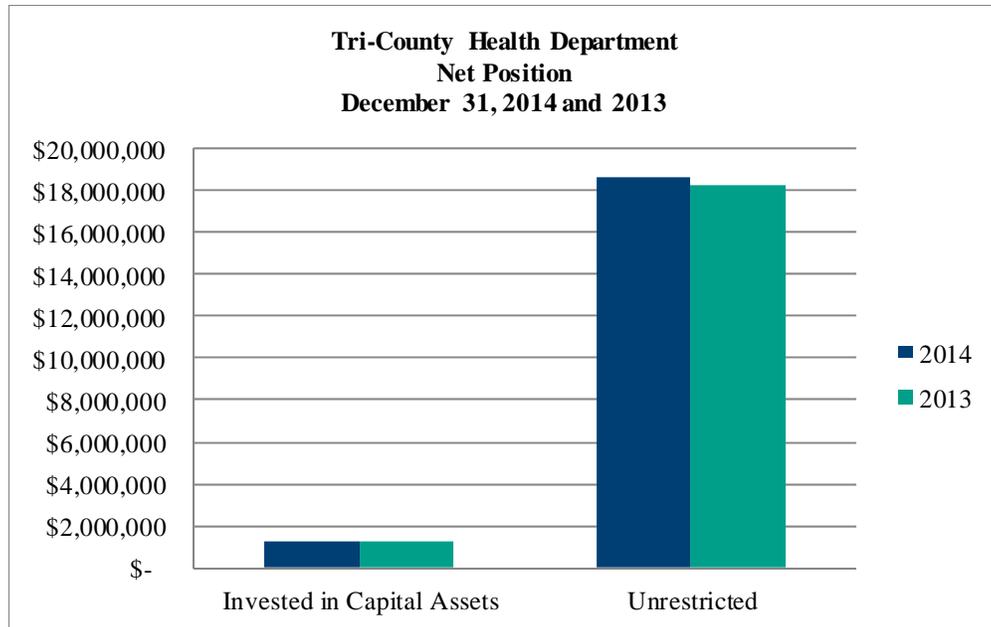
Department revenue consists primarily of funds received from Adams, Arapahoe, and Douglas Counties, intergovernmental (state and federal) and other revenue (collected from licenses, fees and permits).



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

The table below shows the condensed Statement of Net Position as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Current Assets	\$ 22,776,681	\$ 22,810,615
Capital Assets	1,291,270	1,232,903
Total Assets	<u>24,067,951</u>	<u>24,043,518</u>
Current Liabilities	3,097,778	3,450,807
Noncurrent Liabilities	1,052,382	1,079,859
Total Liabilities	<u>4,150,160</u>	<u>4,530,666</u>
Net Position:		
Invested in Capital Assets	1,291,270	1,232,903
Unrestricted	18,626,521	18,279,949
Total Net Position	<u>\$ 19,917,791</u>	<u>\$ 19,512,852</u>



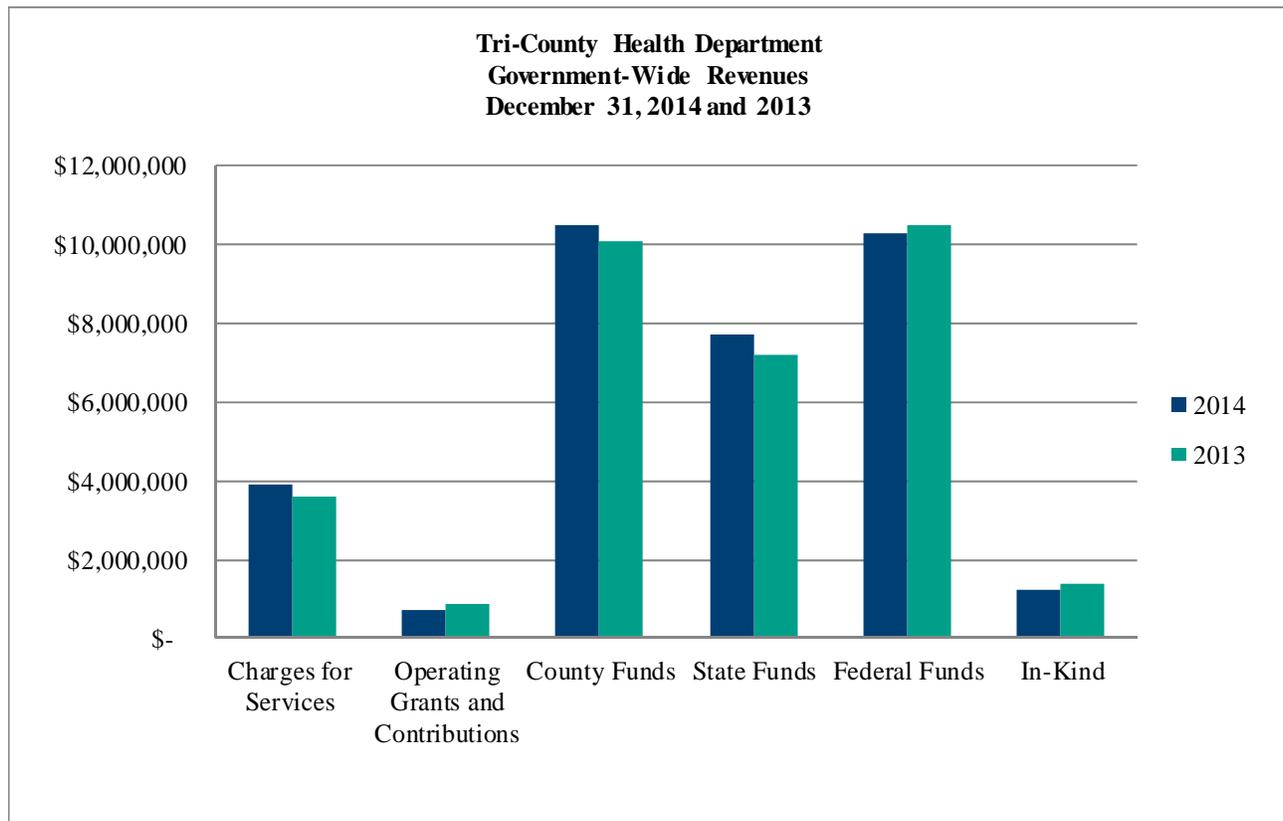
The Department's total net position at December 31, 2014 increased approximately \$405,000 from the prior year.



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

The table below shows the condensed Statement of Activities as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Program Revenues:		
Charges for Services	\$ 3,876,595	\$ 3,579,201
Operating Grants and Contributions	734,970	881,680
General Revenues:		
County Funds	10,494,335	10,072,740
State Funds	7,685,761	7,167,122
Federal Funds	10,281,086	10,470,461
In-Kind	1,245,177	1,372,733
Total Revenues	<u>34,317,924</u>	<u>33,543,937</u>
Expenses:		
Public Health and Welfare	33,912,985	31,985,890
Total Expenses	<u>33,912,985</u>	<u>31,985,890</u>
Change in Net Position	<u>\$ 404,939</u>	<u>\$ 1,558,047</u>





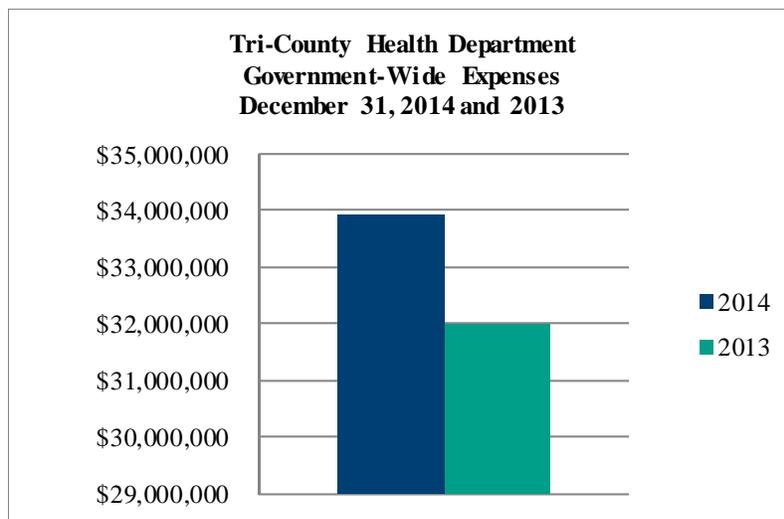
**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

General revenues from state funds increased from the previous year mainly due to an increase in our Nurse-Family Partnership (NFP) program.

Nurse-Family Partnership® (NFP) is a voluntary, community health home visitation program, for women who are having their first baby. The program is dedicated to helping first time mothers of any age have a healthy pregnancy, become knowledgeable and successful parents, and provide their babies with the best possible start in life. Each enrolled mother is partnered with a registered nurse who will visit her in her home, or at a safe place, throughout pregnancy, and until the baby is 2 years old. That partnership promotes improved prenatal and maternal health, improved child development and leads to increased family self-sufficiency

Our NFP program went through an extensive expansion in 2014. We increased our team by four new home visiting nurses and expanded our caseload to include 100 more families into the program.

Total expenses for the Department increased from 2013 to 2014 by approximately \$1.8 million, primarily in personnel costs.





**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

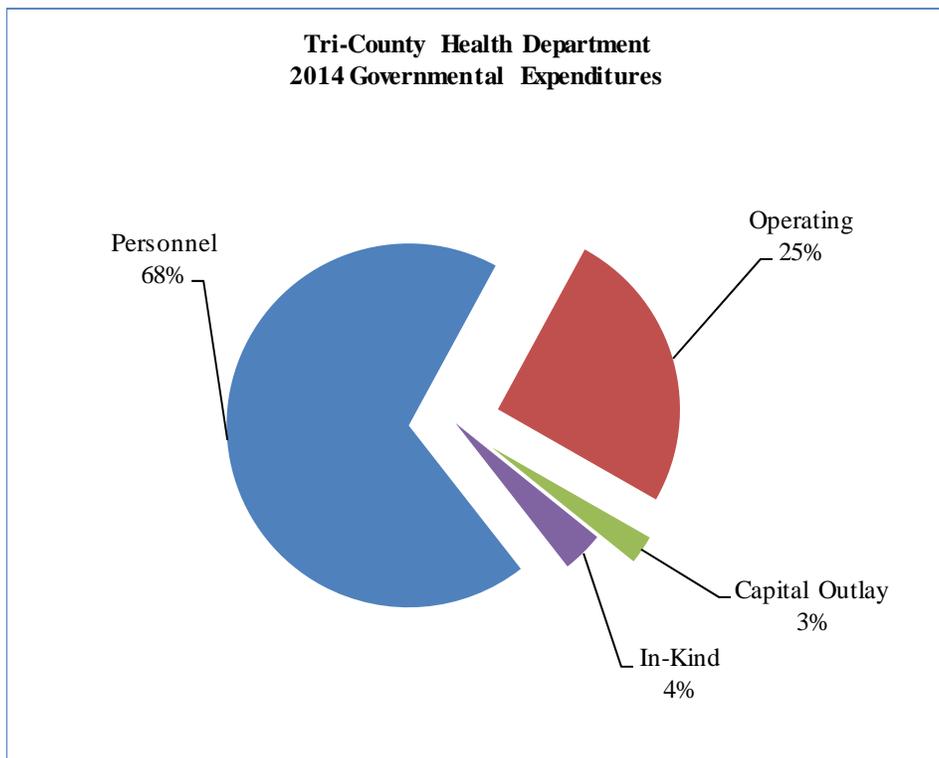
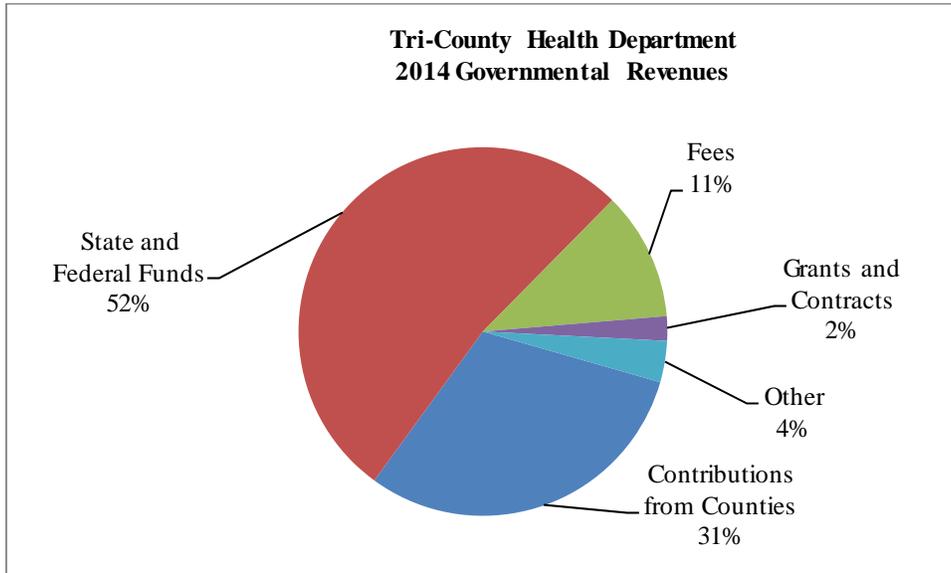
The table below shows the condensed budget comparison for 2014:

	Final Budget	Actual
Revenues		
Contributions from Counties	\$ 10,421,073	\$ 10,494,335
State and Federal Funds	18,892,318	17,966,847
Fees	3,673,260	3,876,595
Grants and Contracts	853,117	734,970
Other	1,638,252	1,245,177
Total Revenues	35,478,020	34,317,924
Expenditures		
Personnel	23,670,434	23,305,097
Operating	8,305,704	8,619,862
Capital Outlay	1,863,630	861,897
In-Kind	1,638,252	1,245,177
Total Expenditures	35,478,020	34,032,033
Change in Fund Balance	\$ -	\$ 285,891

The Department ended the year of 2014 with excess revenues over expenditures of \$285,891.

Total revenue was lower than budgeted by \$1,160,096. The majority of this difference relates to the anticipated use of fund balance for planned construction costs which did not occur in 2014. In addition, in-kind revenue was approximately \$393,000 under budget. In-kind revenue for Tri-County is primarily vaccines received from the federal government.

**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**





**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

Actual expenditures of \$34,032,033 were under budget by \$1,445,987 for 2014. Factors included:

1. In-kind expenses (distributions) were under budget by \$393,075. This was due to the unpredictability and variable nature of trying to determine the annual usage of vaccine supplies to address the public health needs of the Department's jurisdiction.
2. Capital outlays were less than budgeted by \$1,001,733. This was primarily due to planned construction which did not take place in 2014.

Capital Assets

The Department's investment in capital assets as of December 31, 2014 amounts to \$1,291,270 (net of accumulated depreciation). The capital assets include computer equipment, computer software, furniture, improvements to buildings, and other equipment with a cost of \$5,000 or more. During 2014 the Department, in conjunction with Arapahoe County, completed a refurbishment of the Englewood location. The remodel includes new carpet, paint, lighting, enhanced security access and new furniture. Also during 2014 a remodeling project was started on the Aurora location. This project resulted in \$85,701 in construction in progress costs in 2014. These costs will be capitalized as leasehold improvements in 2015 once the project is completed.

The following table shows the capital assets for 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Capital Assets Not Being Depreciated		
Construction in progress	\$ 85,701	\$ 209,518
Depreciable Capital Assets		
Office furniture and equipment	898,337	615,204
Computer equipment	825,964	795,239
Computer software	125,907	90,469
Leasehold improvements	1,756,425	1,438,554
Total Depreciable Capital Assets	3,606,633	2,939,466
Accumulated depreciation	(2,401,064)	(1,916,081)
Total Capital Assets Being Depreciated, Net	1,205,569	1,023,385
Net Capital Assets	<u>\$ 1,291,270</u>	<u>\$ 1,232,903</u>



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

Capital additions for 2014 totaled \$667,167 and consisted of computer equipment, computer software, office furniture and leasehold improvements.

Summary

Future revenues and expenditures will depend on the economic climate of Adams, Arapahoe, and Douglas Counties, the State of Colorado and the United States. The potential exists for the Department to realize budget and program cuts at the state and federal level or other budgetary/funding mandates outside of the Department's control. These cuts may affect the level of services that the Department will provide in the future.

Programs will be evaluated to assure that adequate funding is available to sustain the level of services required and to meet the goal of the Department to be fiscally self-sufficient.

Any questions concerning this report or the financial affairs of the Department can be directed to the Director of Administration and Finance of Tri-County Health Department.

Tri-County Health Department
Administration and Finance Division
Attention: Mark Hoskins, Director
6162 South Willow Drive, Suite 100
Greenwood Village, CO 80111
303-220-9200

TRI-COUNTY HEALTH DEPARTMENT

STATEMENT OF NET POSITION

December 31, 2014

	Assets	Governmental Activities
Current Assets		
Cash		\$ 2,453,739
Investments		15,316,113
Accounts receivable		4,472,669
Inventory		259,257
Deposits		92,299
Prepaid items		182,604
Total Current Assets		<u>22,776,681</u>
Capital Assets		
Capital assets, net of accumulated depreciation		<u>1,291,270</u>
Total Assets		<u>24,067,951</u>
	Liabilities And Net Position	
Current Liabilities		
Accounts payable		660,573
Accrued liabilities		1,486,986
Unearned revenue		833,288
Compensated absences, current portion		116,931
Total Current Liabilities		<u>3,097,778</u>
Noncurrent Liabilities		
Compensated absences		<u>1,052,382</u>
Total Liabilities		<u>4,150,160</u>
Net Position		
Net investment in capital assets		1,291,270
Unrestricted		<u>18,626,521</u>
Total Net Position		<u>\$ 19,917,791</u>

TRI-COUNTY HEALTH DEPARTMENT

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2014

<u>Function/Program</u>	<u>Program Revenues</u>			<u>Changes In Net Position</u>
<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Primary Governmental Activities</u>	
Governmental Activities				
Public health and welfare	\$ 33,912,985	\$ 3,876,595	\$ 734,970	\$ (29,301,420)
Total Governmental Activities	\$ 33,912,985	\$ 3,876,595	\$ 734,970	(29,301,420)

General Revenues

County funds	10,494,335
State funds	7,685,761
Federal funds	10,281,086
In-kind	1,245,177
Total General Revenues	29,706,359

Change in net position 404,939

Net Position, Beginning Of Year 19,512,852

Net Position, End Of Year \$ 19,917,791

TRI-COUNTY HEALTH DEPARTMENT

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2014

	<u>General Fund</u>
Assets	
Current Assets	
Cash	\$ 2,453,739
Investments	15,316,113
Accounts receivable	4,472,669
Inventory	259,257
Deposits	92,299
Prepaid items	173,128
Total Assets	<u><u>\$ 22,767,205</u></u>
Liabilities And Fund Balance	
Liabilities	
Accounts payable	\$ 660,573
Accrued liabilities	1,486,986
Unearned revenue	833,288
Total Liabilities	<u>2,980,847</u>
Fund Balance	
Nonspendable fund balance	
Inventory	259,257
Prepays	173,128
Committed fund balance	
Committed for future employee compensated absences	1,160,782
Emergency operating reserves	8,736,082
Assigned fund balance	
Facilities master plan	2,132,100
Information technology	945,000
Capital replacement	767,863
Unassigned fund balance	
Operating capital	5,612,146
Total Fund Balance	<u><u>19,786,358</u></u>
Total Liabilities And Fund Balance	<u><u>\$ 22,767,205</u></u>

TRI-COUNTY HEALTH DEPARTMENT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION December 31, 2014

Total Governmental Fund Balance	\$ 19,786,358
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,291,270
Abated rent is not due and payable in the current period and, therefore, not reported at the fund level; however, it is reported on the government-wide statement of net position and is included as a prepaid expense.	9,476
Compensated absences are liabilities that are not due and payable in the current period and, therefore, are not reported at the fund level; however, they are reported on the government-wide statement of net position.	<u>(1,169,313)</u>
Net Position Of Governmental Activities	<u><u>\$ 19,917,791</u></u>

TRI-COUNTY HEALTH DEPARTMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND For The Year Ended December 31, 2014

	<u>General Fund</u>
Revenues	
County funds	\$ 10,494,335
Grants and contracts	734,970
Fees administration	1,216,105
Nutrition	48,420
Nursing	729,618
Environmental health	1,881,827
Epidemiology planning and communications	625
State funds	7,685,761
Federal funds	10,281,086
In-kind	1,245,177
Total Revenues	<u>34,317,924</u>
Expenditures	
Current	
Public health and welfare	33,170,136
Capital outlays	861,897
Total Expenditures	<u>34,032,033</u>
Change In Fund Balance	285,891
Fund Balance, Beginning Of Year	<u>19,500,467</u>
Fund Balance, End Of Year	<u>\$ 19,786,358</u>

TRI-COUNTY HEALTH DEPARTMENT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES For The Year Ended December 31, 2014

Change In Fund Balance - Total Governmental Fund \$ 285,891

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlay as expenditures,
but in the statement of activities, these costs are
allocated over their estimated useful lives as depreciation:

Capital outlay	543,350
Depreciation expense	(484,983)

Some expenses reported in the statement of activities do not
require the use of current financial resources and, therefore,
are not reported as expenditures in governmental funds. This
amount represents the change in abated rent.

30,151

Some expenses reported in the statement of activities
do not require the use of current financial resources
and, therefore, are not reported as expenditures in
governmental funds:

Compensated absences, December 31, 2014	(1,169,313)
Compensated absences, December 31, 2013	1,199,843

Change In Net Position - Statement Of Activities

\$ 404,939

TRI-COUNTY HEALTH DEPARTMENT

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

1. Summary Of Significant Accounting Policies

The financial statements of the Tri-County Health Department (the Department) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for establishing standards for governmental accounting and financial reporting.

The Department's annual financial reports include the accounts and funds of all Department operations presented in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The more significant of the Department's accounting policies are as follows:

Reporting Entity

The Department's mission is to protect, promote and improve the health, environment and quality of life of the residents of Adams, Arapahoe and Douglas Counties. The Department provides all core public health services identified in the Colorado State Board of Health, Core Public Health Services Rule; these include: Assessment, Planning and Communication; Vital Records and Statistics; Communicable Disease Prevention, Investigation and Control; Prevention and Population Health Promotion; Emergency Preparedness and Response; Environmental Health; Administration and Governance.

The Department is not financially accountable for any other organization, nor is the Department a component unit of any other primary governmental entity.

For financial reporting purposes, the Department includes all funds and account groups for which it is financially accountable. The Department does not exercise any power over any other entity.

Government-Wide And Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Department does not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. For identifying the function to which program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

Fund Financial Statements

The accounts of the Department are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Department used the following funds during 2014:

Governmental Funds

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

Basis Of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

All governmental funds are accounted for using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are generally recognized under the modified-accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt and compensated absences, which are recognized when due.

Cash And Investments

The Department's cash and investments are comprised of cash on hand, cash in banks and highly liquid investments with a maturity of three months or less when purchased.

The Department may invest in bonds or other interest-bearing obligations issued by or unconditionally guaranteed by the United States or bonds that are the direct obligations of the State of Colorado or any county, city or school district in the state. The Department may also invest in repurchase agreements of any marketable security otherwise authorized by law, where the market value of such security is at all times at least equal to the moneys involved, and there is assignment of such security pursuant to current depository regulations.

Investments for the Department are reported at fair value based on last quoted market prices.

Accounts Receivable

Accounts receivable are determined to be fully collectible at December 31, 2014; therefore, an allowance for doubtful accounts is not recorded in the financial statements.

Inventory

Inventory is valued at the lower of cost or market, using the average-cost method. The cost of General Fund inventory is recorded as an expenditure when consumed, rather than when purchased.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Capital Assets

Capital assets are recorded at cost except for assets contributed, which are stated at estimated fair value on the date of contribution. The Department uses a capitalization threshold of \$5,000 for financial statement purposes and depreciates capital assets on the straight-line basis over a five-year estimated useful life.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in capital assets.

Compensated Absences

It is the Department's policy to permit employees to accumulate earned but unused vacation benefits (paid time off) up to certain maximum limits. Vacation benefits are expected to be liquidated with available financial resources and are reported as an expenditure and fund liability of the General Fund when amounts are due.

In-Kind Donations

In-kind donations consist of donated goods and personal services. Donated goods are valued at the donor's assigned value or estimated fair value. Personal services are valued based upon hourly wage rates paid for similar services or at the donor's assigned value. These donations are included as support and as program costs to properly reflect the total costs of the Department's operations.

Fund Balance

The Department implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the fiscal year 2011. In the fund financial statements, the governmental fund reports the following classification of fund balance:

Nonspendable - includes items not expected to be converted to cash in the near term (e.g., inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Committed - includes amounts that can only be used for the specific purposes determined by a formal action, a Board resolution, of the Department's highest level of decision-making authority, the Tri-County Board of Health. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned - consists of funds intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. The Tri-County Board of Health has delegated the authority to the Executive Director, or his designee, to assign funds and amounts to be used for specific purposes.

Unassigned - is the residual classification of the General Fund and includes all spendable amounts not contained in other classifications. This category also provides the resources necessary to meet any unexpected expenditures and revenue shortfalls.

The Tri-County Board of Health has established an emergency operating reserve equivalent to four months of operating reserves. The purpose of this reserve is to provide the Department with sufficient working capital and a margin of safety to address significant and sudden revenue shortfalls or local and regional emergencies or other critical circumstances, as determined by the Tri-County Board of Health. The Board has established that the amount shall be used only after all other efforts have been exhausted to fund unanticipated needs and/or emergencies, such as would occur in the event of a declared regional health emergency, catastrophic loss of property, or sudden loss of 10% or more of the current fiscal year's General Fund revenue. If the Emergency Operating Fund Balance falls below 10% of the total current fiscal year adopted annual appropriations or half of the prior fiscal year ending balance, then a budgetary plan shall be implemented to return the reserve to a minimum 10% level in no more than a three-year period. The amount for this reserve will be validated and determined on an annual basis after the annual audit has been completed. As of December 31, 2014, the amount of the estimated four-month emergency operating reserve was \$8,736,082, which is included in committed fund balance.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which the resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements *(Continued)*

Net position represents the difference between assets and liabilities and is classified as net investment in capital assets, restricted or unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets, excluding any unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Department or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. All other net position that does not meet these definitions is classified as unrestricted.

Use Of Estimates

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgets And Budgetary Accounting

In accordance with state budget law, the Department's Board holds public hearings in the fall of each year to approve the budget and appropriate the funds for each ensuing year. The appropriation is at the total fund expenditure level and lapses at year-end. The Board can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

2. Noncash Federal Vouchers And Supplies

The Department receives noncash vouchers and supplies, which are required to be recorded in the schedule of expenditures of federal awards; however, these amounts are not recorded in the financial statements. The noncash amounts are as follows:

Noncash federal vouchers and supplies received	\$ 17,672,003
Noncash federal vouchers and supplies expenditures	<u>17,672,003</u>
Net	<u><u>\$ —</u></u>

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

3. Cash And Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must equal at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2014, the Department had bank deposits of \$2,002,647 collateralized with securities held by the financial institution's agent but not in the Department's name.

Investments

The Department does not have a formal investment policy, other than compliance with state statutes. Colorado Revised Statutes (CRS) specify investment instruments meeting defined rating and risk criteria in which the Department may invest, including:

- United States Treasury obligations
- Federal instrumentality securities
- Time certificates of deposit
- Commercial paper
- Money market mutual funds
- Local government investment pools

At December 31, 2014, the Department had an investment held by the Colorado Surplus Asset Fund (CSAFE), which is rated AAAM by Standard & Poor's. These amounts are considered cash equivalents and totaled \$15,316,113 as of December 31, 2014. Separately issued financial statements for CSAFE may be obtained at www.csafe.org.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Authorized securities include U.S. Treasury issues, U.S. agency issues, commercial paper, repurchase agreements and bank deposits (collateralized through PDPA). CSAFE operates similarly to a 2a7-like money market fund, with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. Designated custodial banks provide safekeeping and depository services to CSAFE in connection with direct investment and withdrawal functions. Substantially all securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodial bank. The State Securities Commission administers and enforces all state statutes for governing CSAFE.

Custodial Credit Risk - This is the risk that, in the event of a bank failure, the Department's deposits may not be returned to it. As of December 31, 2014, the Department's deposits were not exposed to credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation or collateralized in accordance with PDPA.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. State law limits investment maturities to five years or less as a means of managing exposure to fair value loss resulting from increasing interest rates. As such, due to the short-term nature of the Department's investments, interest rate risk is minimized.

Credit Risk - Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to U.S. Treasury issues, other federally backed notes and credits and other agency offerings. Other investment instruments, including bank obligations, general obligation bonds and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of a nationally recognized rating agency.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance - January 1, 2014	Additions	Retirements	Balance - December 31, 2014
Capital Assets Not Being Depreciated				
Construction in progress	\$ 209,518	\$ 85,701	\$ (209,518)	\$ 85,701
Depreciable Capital Assets				
Office furniture and equipment	615,204	283,133	—	898,337
Computer equipment	795,239	30,725	—	825,964
Computer software	90,469	35,438	—	125,907
Leasehold improvements	1,438,554	317,871	—	1,756,425
Total Depreciable Capital Assets	2,939,466	667,167	—	3,606,633
Accumulated depreciation	(1,916,081)	(484,983)	—	(2,401,064)
Total Capital Assets Being Depreciated, Net	1,023,385	182,184	—	1,205,569
Governmental Activities Capital Assets, Net	\$ 1,232,903	\$ 267,885	\$ (209,518)	\$ 1,291,270

Depreciation expense for the year ended December 31, 2014 was \$484,983, all of which related to the Public Health and Welfare function.

5. Operating Leases

The Department leases various operating spaces under noncancelable leases with third parties which expire through 2018. Lease expense for the year ended December 31, 2014 totaled \$1,889,274.

Future minimum rental commitments under operating leases as of December 31, 2014 were as follows:

Year Ending December 31,	Amount
2015	\$ 1,707,362
2016	1,338,025
2017	1,022,614
2018	167,986
Total	\$ 4,235,987

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

6. Changes In Long-Term Obligations

	Balance - January 1, 2014	Additions	Reductions	Balance - December 31, 2014	Amounts Due Within One Year
Compensated absences	\$ 1,199,843	\$ 64,642	\$ (95,172)	\$ 1,169,313	\$ 116,931

7. Public Employees' Retirement Association Of Colorado

The Department participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). LGDTF provides retirement and disability, annual increases and death benefits for members and their beneficiaries.

All employees of the Department are members of LGDTF. Title 24, Article 51, of the CRS, as amended, assigns the authority to establish and amend benefit provisions to the state legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for LGDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303.832.9550 or 1.800.759.PERA (7372).

The Department is required to make employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the Department are established under Title 24, Article 51, Part 4, of the CRS, as amended. The contribution rate for members is 8% and, for the Department, is 10% of covered salary. A portion of the Department's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (HCTF) (postemployment health care benefits). The Department is also required to pay an amortization equalization disbursement equal to 2.2% of the total payroll for the calendar year 2014 (2.2% in 2013 and 2012). Additionally, the Department is required to pay a supplemental amortization equalization disbursement equal to 1.5% of the total payroll for the calendar year 2014 (1.5% in 2013 and 2012). Beginning July 1, 2005, if the Department rehired a PERA retiree as an employee, or under any other work arrangement, it was required to report and pay employer contributions on the amounts paid to the retiree; however, no member contributions are required. For the years ended December 31, 2014, 2013 and 2012, the Department's employer contributions to the LGDTF were \$2,159,245, \$2,082,940 and \$2,251,613, respectively, equal to the Department's required contributions for each year.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Postemployment Health Care Benefits

The Department contributes to HCTF, a cost-sharing multiple employer postemployment health care plan administered by PERA. HCTF provides a health care premium subsidy to PERA-participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 4, of the CRS, as amended, assigns the authority to establish and amend HCTF benefit provisions to the state legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for HCTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303.832.9550 or 1.800.759.PERA (7372).

The Department is required to contribute at a rate of 1.02% of covered salary for all PERA members, as set by statute, which is included in the Department's PERA contribution of 10%. No member contributions are required. The contribution requirements for the Department are established under Title 24, Article 51, Part 4, of the CRS, as amended. The apportionment of the contribution to HCTF is established under Title 24, Article 51, Part 4, of the CRS, as amended. For the years ended December 31, 2014, 2013 and 2012, the Department's employer contributions to HCTF were \$173,693, \$172,244 and \$179,730, respectively, equal to the Department's required contributions for each year.

Defined Contribution Pension Plan

Employees of the Department who are members of LGDTF may voluntarily contribute to the Voluntary Investment Program (the 401(k) Plan), an Internal Revenue Code (IRC) Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary and contributions are separate from others made to PERA. Title 24, Article 51, Part 4, of the CRS, as amended, assigns the authority to establish and amend the 401(k) Plan provisions to the state legislature.

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the Internal Revenue Service (\$17,500 in 2014 and \$17,500 in 2013). Catch-up contributions up to \$5,500 for the calendar years 2014 and 2013 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v).

The contribution requirements are established under Title 24, Article 51, Section 1402, of the CRS, as amended. Plan member contributions from the Department were \$634,067, \$586,739 and \$535,844, during the years ended December 31, 2014, 2013 and 2012, respectively.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

8. Deferred Compensation Plan

The Department has a deferred compensation plan created in accordance with IRC Section 457. Participation in the plan is optional for all employees. The Department has not had new participants since the mid-1990s. The current participants (three) all started working for the Department prior to 1994. The plan is administered by Nationwide Retirement Solutions, formerly the Public Employees Benefit Services Corporation, and the Variable Annuity Life Insurance Company. The plan allows the employees to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergencies. Contribution limits are set by the IRS annually and are the same as those for the 401(k) plan.

9. Risk Management

The Department is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Department has obtained commercial insurance coverage for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Under the Colorado Governmental Immunity Act, the maximum liability per person, per occurrence, is \$350,000, with a maximum liability per occurrence of \$990,000. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At December 31, 2014, the Department had no accrued liability under the terms of this self-insurance plan.

10. Contingencies

Grants

The Department receives grant monies from various federal and state agencies and private foundations. Such grants are subject to audit by the grantor, which could lead to requests for reimbursement to the grantor for expenditures not in compliance with the terms of the grant. Based upon the lack of reimbursement requests in prior grant audits, management of the Department believes such reimbursement requests, if any, will be immaterial.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

11. Tax Spending And Debt Limitation (TABOR)

In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

The Department does not believe itself to be subject to the requirement of TABOR, as the Department has been established by Adams, Arapahoe and Douglas Counties, and it receives no direct tax dollars and has no power to tax any of the residents within its jurisdiction. TABOR is applied to the counties which have formed the Department, and the Department receives a general allocation funding from these counties. TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of what organizations may be subject to TABOR, may require judicial interpretation.

12. Concentrations

The Department received approximately 31% of its revenue from Adams, Arapahoe and Douglas Counties and 52% from state and federal grants for the year ended December 31, 2014.

Required Supplementary Information

TRI-COUNTY HEALTH DEPARTMENT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL - GENERAL FUND For The Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
County funds	\$ 10,308,189	\$ 10,421,073	\$ 10,494,335	\$ 73,262
Grants and contracts	889,064	853,117	734,970	(118,147)
Fees administration	1,145,492	1,145,492	1,216,105	70,613
Nutrition	48,000	48,000	48,420	420
Nursing	771,938	771,938	729,618	(42,320)
Environmental health	1,707,830	1,707,830	1,881,827	173,997
Epidemiology planning and communications	—	—	625	625
State funds	7,053,300	7,282,284	7,685,761	403,477
Federal funds	11,858,733	11,610,034	10,281,086	(1,328,948)
In-kind	1,638,252	1,638,252	1,245,177	(393,075)
Total Revenues	35,420,798	35,478,020	34,317,924	(1,160,096)
Expenditures				
Salaries and wages	17,457,989	17,850,211	17,532,036	(318,175)
Employee benefits	5,675,223	5,820,223	5,773,061	(47,162)
Operating expenses	4,384,823	4,462,823	4,288,595	(174,228)
Operating supplies	1,239,175	1,239,175	1,524,575	285,400
Services	2,588,706	2,603,706	2,806,692	202,986
Equipment	2,436,630	1,863,630	861,897	(1,001,733)
In-kind	1,638,252	1,638,252	1,245,177	(393,075)
Total Expenditures	35,420,798	35,478,020	34,032,033	(1,445,987)
Change In Fund Balance	\$ —	\$ —	285,891	\$ 285,891
Fund Balance - Beginning Of Year			<u>19,500,467</u>	
Fund Balance - End Of Year			<u>\$ 19,786,358</u>	

Notes to Required Supplementary Information

The basis of the budget is the same as GAAP.

This schedule is presented on a GAAP basis.

Single Audit Section

**Independent Auditors' Report On
Internal Control Over Financial Reporting
And On Compliance And Other Matters
Based On An Audit Of Financial Statements
Performed In Accordance With
*Government Auditing Standards***

Board of Health
Tri-County Health Department
Greenwood Village, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Tri-County Health Department (the Department), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated May 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

May 20, 2015

**Independent Auditors' Report On Compliance
For Each Major Federal Program And Report
On Internal Control Over Compliance
Required By OMB Circular A-133**

Board of Health
Tri-County Health Department
Greenwood Village, Colorado

Report On Compliance For Each Major Federal Program

We have audited Tri-County Health Department's (the Department) compliance with the types of compliance requirements described in the Office of Management and Budget's (OMB) *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended December 31, 2014. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion On Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report On Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

RubinBrown LLP

May 20, 2015

TRI-COUNTY HEALTH DEPARTMENT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2014**

Section I - Summary Of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes ✓ no
- Significant deficiency(ies) identified? ___ yes ✓ none noted

Noncompliance material to financial statements noted? ___ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes ✓ no
- Significant deficiency(ies) identified? ___ yes ✓ none noted

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ___ yes ✓ no

Identification of major programs:

CFDA Number(s)	Name Of Federal Program Or Cluster
10.557	U.S. Department of Agriculture - Special Supplemental Nutritional Program for Women, Infants and Children
93.283	U.S. Department of Health and Human Services - Centers for Disease Control and Prevention
93.505	U.S. Department of Health and Human Services – Affordable Care Act

Dollar threshold used to distinguish between Type A and Type B programs: \$814,253

Auditee qualified as low-risk auditee? ✓ yes ___ no

TRI-COUNTY HEALTH DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
For The Year Ended December 31, 2014

Section II - Financial Statement Findings

There are no findings relating to the Department's financial statements that are required to be reported.

Section III - Federal Award Findings And Questioned Costs

There are no findings relating to the Department's federal awards that are required to be reported.

Section IV - Prior-Year Financial Statement Findings

There are no findings relating to the Department's prior-year financial statements that are required to be reported.

TRI-COUNTY HEALTH DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended December 31, 2014

Federal Grantor/Pass-Through Grantor/Program Or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Department Of Agriculture			
Passed Through The Colorado Department Of Public Health And Environment			
Special Supplemental Nutrition Program for Women, Infants and Children - ARRA	10.557	WIC-AB3-DOA	\$ 5,419,036
Special Supplemental Nutrition Program for Women, Infants and Children - ARRA	10.557	WIC-AL3-DOA; WIC-AL4-DOA	163,291
Special Supplemental Nutrition Program for Women, Infants and Children - In-Kind	10.557		17,660,223
Total Department Of Agriculture			23,242,550
Environmental Protection Agency Office Of Water			
Capitalization Grants for Drinking Water - State Revolving Funds	66.468	WQC-XT1-POW; WQC-XK1-POW	4,135
Department Of Health And Human Services			
Passed Through The Colorado Department Of Public Health And Environment			
Public Health Emergency Preparedness	93.069	EPR-HW3-HHS; EPR-HW4-HHS	253,235
Public Health Emergency Preparedness	93.069	EPR-HW3-HHS; EPR-HW4-HHS	716,942
Injury Prevention and Control Research	93.136	PSD-CV3-HHS; PSD-CV4-HHS	33,512
Family Planning Services	93.217	FPP-JA3-HHS IMM-KA2-HHS; IMM-KA3;	160,706
Immunization Cooperative Agreements	93.268	IMM-KT2-HHS; IMM-KT3-HHS	352,051
Centers for Disease Control and Prevention	93.283	EPI-QH3-HHS	49,750
Centers for Disease Control and Prevention	93.283	EPI-QE3-HHS	19,000
Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity	93.521	EPI-KJ2-HHS; EPI-KJ3-HHS EPI-QT2-HHS; EPI-YT1-RBT;	26,591
HIV Care Formula Grants	93.917	EPI-YT3-RBT	111,647
Preventive Health Services - In Kind	93.977		11,780
Preventive Health and Health Services	93.991	PRV-HC2-HHS	36,000
Maternal and Child Health Services	93.994	MCH-MC2-HHS; MCH-MC3-HHS	448,249
Maternal and Child Health Services	93.994	MCH-MC2-HHS; MCH-MC3-HHS	416,952
Passed Through The Colorado Department Of Human Services			
Affordable Care Act: Maternal, Infant And Early Childhood Home Visiting Program	93.505		903,077
Passed Through The Denver Health And Hospital Authority			
Centers For Disease Control And Prevention	93.283		138,227
Passed Through The Colorado Department Of Health Care Policy And Financing			
Medical Assistance Program	93.778		175,568
Children's Health Insurance Program	93.767		41,802
Total Department Of Health And Human Services			3,895,089
Total Federal Assistance			\$ 27,141,774

TRI-COUNTY HEALTH DEPARTMENT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2014

1. **Basis Of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Tri-County Health Department (the Department) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. **Other**

Special Supplemental Food Program for Women, Infants, and Children, CFDA No. 10.557, includes \$17,660,223 of food vouchers provided to individuals in the Department's service area, as reported by the Colorado Department of Public Health and Environment. In addition, the Department received \$11,780 in testing supplies under Preventive Health Service, CFDA No. 93.977.